

Message Text

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44

ACTION ARA-20

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-15

AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 OMB-01 INT-08 GSA-02 OEP-01

RSR-01 /163 W

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R 162300Z AUG 73

FM AMEMBASSY LA PAZ

TO SECSTATE WASHDC 716

UNCLAS LA PAZ 5031

E.O. 11652: N/A

TAGS: EMIN ECON PFOR BL

SUBJ: MINISTER OF MINES ANNOUNCES OPPOSITION TO FURTHER GSA TIN
SALES

1. IN FIRST OFFICIAL REACTION TO LATEST USG PROPOSAL ON
SALE OF TIN RESERVES, MINISTER OF MINES RAUL LEMA PATINO
STATED AUGUST 15 THAT THE GOB WILL "COMPLETELY OPPOSE"
ANY NEW GSA TIN SALES. TO THIS END, HE ANNOUNCED, GOB WILL
PRESENT A STRONG STATEMENT OF ITS POSITION TO THE USG.
LEMA PATINO STATEMENTS TO PRESS FOLLOWED HIS INTERVIEW
WITH PRESIDENT BANZER ON SAME DATE.

2. IN HIS COMMENTS, MINMINES CITED THREE "TECHNICAL REASONS"
FOR BOLIVIAN OPPOSITION TO FURTHER SALES OF GSA TIN STOCKS.
FIRST, RECENT INCREASE IN TIN PRICES ON WORLD MARKET IS
ONLY TEMPORARY "ARTIFICIAL PHENOMENON", WHICH WILL CEASE
WHEN SPECULATORS WHO HAVE BOUGHT PRECIOUS METALS INSTEAD OF
DOLLARS OR OTHER CURRENCIES DISPOST OF THEIR TIN HOLDINGS.
SECOND, FAILURE OF WILLIAMS HARVEY SMELTER ALSO HAS GIVEN
RISE TO TEMPORARY STRONG DEMAND FOR TIN. THIRD, IN
PAST YEAR, INDUSTRIAL USERS OF TIN DREW DOWN THEIR EXISTING
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RESERVES AND SUBSEQUENTLY WERE OBLIGATED TO REBUILD STOCKS,

THEREBY ADDING TO CURRENT DEMAND FOR TIN. LEMA PATINO LINKED ALL OF ABOVE ARGUMENTS TO FEAR THAT A "SATURATION" OF WORLD MARKET DEMAND FOR TIN IN NEAR FUTURE WILL LEAD TO RAPID FALL IN PRICE OF THIS METAL, AS HE ASSERTS HAS OCCURED RECENTLY WITH PRICE OF GOLD. LEMA ALSO CITED, AS FURTHER REASON FOR OPPOSING NEW SALES, DANGEROUS LACK OF LIQUIDITY OF SOME MINING ENTERPRISES OPERATING UNDER COMIBOL, Owing TO LONG-TERM DEBT NOW OWED TO THEM BY WILLIAMS HARVEY SMELTER. FINALLY, HE RAISED OLD ARGUMENT THAT BOLIVIA ORIGINALLY PROVIDED US WITH ITS TIN RESERVES DURING WORLD WAR II ON ECONOMIC TERMS WHICH WERE DISADVANTAGEOUS FOR BOLIVIA.

3. COMMENT: MINMINES STATEMENTS ARE DOUBTLESS ONLY FIRST OF MANY OFFICIAL AND UNOFFICIAL COMMENTARIES ON LATEST USG INITIATIVE ON TIN SALES. EMBASSY WILL REPORT PROMPTLY ANY FURTHER LOCAL REACTION TO THIS ISSUE.

BREWIN

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 16 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LAPAZ05031
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LA PAZ
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730834/aaaaayym.tel
Line Count: 79
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 07 NOV 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <07-Nov-2001 by reddocgw>; APPROVED <19 FEB 2002 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: MINISTER OF MINES ANNOUNCES OPPOSITION TO FURTHER GSA TIN SALES
TAGS: EMIN, ECON, PFOR, BL
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005